

**CADILLAC-WEXFORD TRANSIT AUTHORITY**

**(A Component Unit of Wexford County)**

**CADILLAC, MICHIGAN**

**SEPTEMBER 30, 2008**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SEPTEMBER 30, 2008

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
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November 11, 2008

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Cadillac-Wexford Transit Authority  
Cadillac, Michigan

We have audited the accompanying financial statements of the Cadillac-Wexford Transit Authority, a component unit of Wexford County, Michigan as of and for the year ended September 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the component unit basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Cadillac-Wexford Transit Authority, as of September 30, 2008, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2008, on our consideration of the Cadillac-Wexford Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages iii through vii and schedule of funding progress on page 16 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Cadillac-Wexford Transit Authority, Cadillac, Michigan basic financial statements. The accompanying information listed as supplementary information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Cadillac-Wexford Transit Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Cadillac-Wexford Transit Authority. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

## CADILLAC-WEXFORD TRANSIT AUTHORITY

### MANAGEMENT DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED SEPTEMBER 30, 2008

This section of the Authority's Comprehensive Annual Financial Report presents management's overview and analysis of the Authority's financial performance for the fiscal year ended September 30, 2008. This section should be read in conjunction with the financial statements which follow this section.

#### **Financial Highlights**

- The assets of the Authority exceeded its liabilities at September 30, 2008, by \$1,768,348. Of this amount, \$1,293,914 represents net assets which are not invested in capital assets.
- The Authority's total net assets increased by \$15,969.
- The Authority remained free of long-term debt during the period.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

#### **Financial Analysis**

For the year ended September 30, 2008, assets exceeded liabilities by \$1,768,348. Transit is a capital-intensive enterprise, and approximately 73% of the net assets are invested in capital assets. The following is a summary of the Authority's net assets.

CADILLAC-WEXFORD TRANSIT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2008

Summary Statement of Net Assets

	<u>2008</u>	<u>2007</u>
Assets:		
Current Assets	\$ 698,812	\$ 687,939
Capital Assets (Net)	1,293,914	1,219,289
Total Assets	<u>\$ 1,992,726</u>	<u>\$ 1,907,228</u>
Liabilities:		
Current Liabilities	\$ 224,378	\$ 154,849
Net Assets:		
Invested in Capital Assets	1,293,914	1,219,289
Unrestricted	<u>474,434</u>	<u>533,090</u>
Total Liabilities and Net Assets	<u>\$ 1,992,726</u>	<u>\$ 1,907,228</u>

The Authority's net assets increased by \$15,969 in 2008. The following is a summary Statement of Revenues, Expenses and Changes in Net Assets. Also shown is the change for the year ended September 30, 2007.

Summary Statement of Revenues, Expenses and Changes in Net Assets

	<u>2008</u>	<u>2007</u>
Operating Revenue	\$ 288,453	\$ 268,124
Operating Expenses	<u>2,249,641</u>	<u>1,781,166</u>
Operating Loss	<u>(1,961,188)</u>	<u>(1,513,042)</u>
Taxes	576,743	545,202
Other Nonoperating Revenue	1,107,241	903,918
Total Nonoperating Revenue	<u>1,683,984</u>	<u>1,449,120</u>
Net Income (Loss)	(277,204)	(63,922)
Capital Grants	<u>293,173</u>	<u>534,244</u>
Change in Net Assets	<u>\$ 15,969</u>	<u>\$ 470,322</u>

CADILLAC-WEXFORD TRANSIT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2008

**Operating Revenues**

The following table shows 2008 revenue compared to 2007:

<u>REVENUES</u>	<u>2008 AMOUNT</u>	<u>2008 PERCENT OF TOTAL</u>	<u>2007 AMOUNT</u>	<u>2007 PERCENT OF TOTAL</u>
Operating Revenue	\$ 288,453	14.62%	\$ 268,124	15.61%
Interest Income	14,275	0.72%	4,303	0.25%
Property Tax	576,743	29.24%	545,202	31.75%
Federal Assistance	293,215	14.87%	277,076	16.13%
State Assistance	669,251	33.93%	621,639	36.21%
Contributions	130,000	6.59%	0	0.00%
Gain on Sale of Assets	500	0.03%	900	0.05%
Total Revenue	<u>\$1,972,437</u>	<u>100.00%</u>	<u>\$1,717,244</u>	<u>100.00%</u>

CAPITAL CONTRIBUTIONS

Federal	\$ 234,537	80.00%	\$ 436,995	81.80%
State	<u>58,636</u>	<u>20.00%</u>	<u>97,249</u>	<u>18.20%</u>
	<u>\$ 293,173</u>	<u>100.00%</u>	<u>\$ 534,244</u>	<u>100.00%</u>

The federal reimbursement rate decreased from 17.00% to 16.00% for eligible expenditures. The State reimbursement rate decreased to 36.1508% from 38.6208%.

**Operating Expenses**

The Authority's expenses may be reviewed in two formats:

Operating Expense by Department - The department describes the major function areas of the Authority and includes:

Operations - Responsible for all on-street services, including operators, dispatchers and schedulers.

Maintenance - Responsible for providing vehicles (including fuel, parts and cleaning) and facilities (upkeep, utilities and rent).

Administration - All other functions including executive direction, planning, marketing, information systems, purchasing and finance.

CADILLAC-WEXFORD TRANSIT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2008

The following table shows the expenses for 2008 compared to 2007 by department:

<u>DEPARTMENT</u>	<u>2008 AMOUNT</u>	<u>2008 PERCENT OF TOTAL</u>	<u>2007 AMOUNT</u>	<u>2007 PERCENT OF TOTAL</u>
Operations	\$1,589,154	70.64%	\$1,146,057	64.34%
Maintenance	332,478	14.78%	318,969	17.91%
Administration	328,009	14.58%	316,140	17.75%
Total Expenses	<u>\$2,249,641</u>	<u>100.00%</u>	<u>\$1,781,166</u>	<u>100.00%</u>

Operating Expense by Object - The object is the classification of expenses by type of item. The following table shows expenses for 2008 compared to 2007 by object:

<u>OBJECT</u>	<u>2008 AMOUNT</u>	<u>2008 PERCENT OF TOTAL</u>	<u>2007 AMOUNT</u>	<u>2007 PERCENT OF TOTAL</u>
Wages and Benefits	\$1,203,376	53.48%	\$1,124,373	63.13%
Services	364,605	16.21%	102,558	5.76%
Supplies and Materials	337,064	14.98%	271,738	15.26%
Utilities	34,137	1.52%	32,111	1.80%
Casualty and Liability	76,197	3.39%	36,899	2.07%
Miscellaneous	24,417	1.09%	21,318	1.20%
Leases and Rentals	2,400	0.11%	800	0.04%
Depreciation	207,445	9.22%	191,369	10.74%
	<u>\$2,249,641</u>	<u>100.00%</u>	<u>\$1,781,166</u>	<u>100.00%</u>



CADILLAC-WEXFORD TRANSIT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2008

**Capital Assets**

The Authority's investment in capital assets as of September 30, 2008, amounted to \$1,293,914 net of accumulated depreciation. Capital assets consist of buses, land, buildings, other vehicles, bus and garage equipment and office equipment. Major capital asset acquisitions during 2008 included the following:

- Land was donated to the Authority with a value of \$130,000
- Buses

Additional information on the Authority's capital assets can be found in the notes to the financial statements.

**Economic Factors and Future Outlook**

At the time these financial statements were prepared and audited, the Authority was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which federal and state operating assistance grants will be funded.
- As with other employers, the Authority continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance.
- The employee contract was negotiated and approved. The contract expires December 31, 2012.

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those who have an interest in this agency's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Cadillac-Wexford Transit Authority, 1202 N. Mitchell Street, Cadillac, Michigan 49601.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

COMPARATIVE STATEMENT OF NET ASSETS

SEPTEMBER 30,

	2008	2007
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 574,404	\$ 538,682
Accounts Receivable	19,034	18,019
Prepaid Expense	32,799	29,761
Accrued Interest Receivable	2,791	784
Due from Other Governments	69,784	100,693
Total Current Assets	698,812	687,939
<u>PROPERTY AND EQUIPMENT</u>		
Land and Building	1,474,540	1,338,708
Buses	1,617,271	1,488,372
Other Vehicles	94,872	88,388
Bus and Garage Equipment	175,308	175,308
Office Equipment	80,095	74,947
	3,442,086	3,165,723
Less Accumulated Depreciation	(2,148,172)	(1,946,434)
Net Property and Equipment	1,293,914	1,219,289
TOTAL ASSETS	\$ 1,992,726	\$ 1,907,228

The accompanying notes are an integral part of these financial statements.

	2008	2007
<hr/>		
<b><u>LIABILITIES</u></b>		
Accounts Payable	\$ 104,067	\$ 28,995
Accrued Liabilities		
Payroll Withholdings	4,843	1,934
Salaries and Wages	7,071	30,934
Compensated Absences	108,397	92,986
	<hr/>	
Total Liabilities	224,378	154,849
	<hr/>	
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets	1,293,914	1,219,289
Unrestricted	474,434	533,090
	<hr/>	
Total Net Assets	1,768,348	1,752,379
	<hr/>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,992,726</b>	<b>\$ 1,907,228</b>
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CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30,

	2008	2007
<u>OPERATING REVENUES</u>	\$ 288,453	\$ 268,124
<u>OPERATING EXPENSES</u>	2,249,641	1,781,166
Operating Income (Loss)	(1,961,188)	(1,513,042)
<u>NONOPERATING REVENUES</u>	1,683,984	1,449,120
Income (Loss) before Capital Contributions	(277,204)	(63,922)
<u>CAPITAL CONTRIBUTIONS</u>		
Federal Financial Assistance	234,537	436,995
State of Michigan	58,636	97,249
Total Capital Contributions	293,173	534,244
Change in Net Assets	15,969	470,322
<u>TOTAL NET ASSETS</u> - Beginning of Year	1,752,379	1,282,057
<u>TOTAL NET ASSETS</u> - End of Year	\$ 1,768,348	\$ 1,752,379

The accompanying notes are an integral part of these financial statements.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

COMPARATIVE STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2008</u>	<u>2007</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 287,438	\$ 265,303
Cash Payments to Suppliers for Goods and Services	(1,123,613)	(795,485)
Cash Payments to Employees for Services	(852,092)	(765,203)
Net Cash Provided (Used) by Operating Activities	(1,688,267)	(1,295,385)
Cash Flows from Noncapital Financing Activities:		
Tax Levy Proceeds	576,743	545,202
State Operating Grants Received	683,745	682,961
Federal Operating Grants Received	290,818	331,108
Net Cash Provided by Noncapital Financing Activities	1,551,306	1,559,271
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(152,071)	(585,729)
Capital Grants Received	311,986	486,244
Proceeds from the Sale of Assets	500	900
Net Cash Provided (Used) for Capital and Related Financing Activities	160,415	(98,585)
Cash Flows from Investing Activities:		
Interest Received	12,268	3,519
Net Increase (Decrease) in Cash and Cash Equivalents	35,722	168,820
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	538,682	369,862
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 574,404	\$ 538,682

The accompanying notes are an integral part of these financial statements.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

COMPARATIVE STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2008</u>	<u>2007</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	<u>\$ (1,961,188)</u>	<u>\$ (1,513,042)</u>
Adjustments to Reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	207,445	191,369
(Increase) Decrease in Current Assets		
Accounts Receivable	(1,015)	(2,821)
Prepaid Expense	(3,038)	(2,909)
Increase (Decrease) in Current Liabilities		
Accounts Payable	75,072	3,414
Accrued Liabilities	<u>(5,543)</u>	<u>28,604</u>
Total Adjustments	<u>272,921</u>	<u>217,657</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (1,688,267)</u></u>	<u><u>\$ (1,295,385)</u></u>

The accompanying notes are an integral part of these financial statements.

# CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Cadillac-Wexford Transit Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Authority's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

### **A. Reporting Entity**

On June 23, 1981, the City of Cadillac and the County of Wexford created the Cadillac-Wexford Transit Authority, a separate legal and administrative unit of government pursuant to the Urban Cooperation Act. The purpose of the Authority is to provide public transportation services to the general public within Wexford County. The Authority began to provide transportation services on September 1, 1982. The Transit Authority is financed by state and federal subsidies as well as a county-wide property tax levy.

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its citizens, or whether the

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CADILLAC, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

activity is conducted within the geographic boundaries of the Authority and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no associated organizations included in the Authority's reporting entity.

### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Authority. The government-wide financial statements categorize primary activities as either governmental or business type. The Authority's activities are classified as business-type activities.

In the government-wide statement of net assets, the business-type activity is reported on a full accrual, economic resource basis, which recognizes as long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in two parts - invested in capital assets and unrestricted net assets. The Authority does not have any outstanding debt obligations.

This government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net assets resulting from the current year's activities.

### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority utilizes one enterprise fund to account for its business-type activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of



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## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

the Authority enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

When both restricted and unrestricted resources are available for use, it is the Authority's policy use the restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, Liabilities and Equity**

#### 1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Authority's investment policy is in compliance with state law and authorizes the Authority to invest in investments authorized by Act 20 of the Public Acts of Michigan of 1943, as amended, provided however, any investment in mutual funds authorized by Act 20 shall be limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

#### 2. Capital Assets and Depreciation

Capital assets are defined by the transit authority as assets with an initial, individual cost of more than \$5,000, except for assets purchased with Federal and/or State grants which are capitalized regardless of the amount and an estimated useful life in excess of one year. Contributed property is stated at fair market value at the date of receipt. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

Depreciation of all exhaustible fixed assets used by an Enterprise Fund is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 years
Equipment	2-10 years
Buses	4-10 years

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

The eligible depreciation is \$41,477 (\$207,445 total depreciation less ineligible depreciation of \$165,968). Eligible depreciation includes only depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by the Bureau of Passenger Transportation.

3. Inventory and Prepaid Items

The Authority does not maintain a fuel inventory. Supply inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Compensated Absences

The Authority accrues sick and vacation benefits in the period they are earned. Vacation leave is earned in varying amounts depending on the number of years of service of an employee. At September 30, 2008 and 2007, the sick and vacation benefits accrued was \$108,397 and \$92,986, respectively.

5. Grants

The Authority receives two distinct types of grants from governmental agencies:

Capital grants are used for capital acquisitions.

Operating grants are used to subsidize day-to-day operations and to meet normal expenses of those operations.

Grant funds used to acquire or construct capital assets are recorded as revenues when the associated capital costs are incurred. Grant funds for operating assistance are recorded as revenues when the associated costs are incurred.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**II. DETAILED NOTES ON ALL FUNDS**

**A. Property and Equipment**

A summary of changes in the Authority's capital assets follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 356,353	\$ 135,832	\$ 0	\$ 492,185
Capital assets, being depreciated				
Buildings	982,355	0	0	982,355
Buses	1,488,372	128,899	0	1,617,271
Other Vehicles	88,388	17,440	10,956	94,872
Bus and Garage Equipment	175,308	0	0	175,308
Office Equipment	74,947	5,148	0	80,095
Total capital assets, being depreciated	2,809,370	151,487	10,956	2,949,901
Less accumulated depreciation for:				
Buildings	600,007	49,217	0	649,224
Buses	1,120,375	128,912	0	1,249,287
Other Vehicles	28,655	16,446	5,707	39,394
Bus and Garage Equipment	139,358	8,196	0	147,554
Office Equipment	58,039	4,674	0	62,713
Total accumulated depreciated	1,946,434	207,445	5,707	2,148,172
Total capital assets, being depreciated, net	862,936	(55,958)	(5,249)	801,729
Business-type activities capital assets, net	\$ 1,219,289	\$ 79,874	\$ (5,249)	\$ 1,293,914

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Major classes of property and equipment consist of the following:

	PURCHASED WITH AUTHORITY FUNDS	PURCHASED WITH CAPITAL GRANTS	TOTAL
Land and Buildings	\$ 427,365	\$ 1,047,175	\$ 1,474,540
Buses	178,087	1,439,184	1,617,271
Other Vehicles	17,440	77,432	94,872
Bus and Garage Equipment	82,388	92,920	175,308
Office Equipment	42,518	37,577	80,095
	747,798	2,694,288	3,442,086
Less Accumulated Depreciation	(341,720)	(1,806,452)	(2,148,172)
NET PROPERTY AND EQUIPMENT	\$ 406,078	\$ 887,836	\$ 1,293,914

Disposition of assets acquired with Federal and State money require prior approval from the Michigan Department of Transportation.

**B. Receivables**

Receivables as of year end for the Authority are as follows:

Receivables	
Accounts	\$ 19,034

The allowance for doubtful accounts is not considered to be material for disclosure.

**C. Property Taxes**

The Authority levies a voter-approved, county-wide property tax at the rate of .6000 of one mill. The voters granted the authority to levy .6000 of one mill for 2007 through 2010 tax rolls. Property taxes attach as an enforceable lien on the property as of the date they are levied. The taxes are levied and due December 1, and become delinquent after February 14. The taxes are collected by the local units of government within the County and are periodically remitted to the Authority through the County during the collection period. The taxes are recognized as revenue in the year in which payment is collected.

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Wexford County has a tax revolving fund which allows the County to pay off the real property taxes which have been returned delinquent.

**D. Deposits and Investments**

*Investment rate risk.* The Authority will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Authority's cash requirement.

*Foreign currency risk.* The Authority is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Authority will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Authority's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Authority will do business in accordance with the Authority's investment policy.

*Concentration of credit risk.* The Authority will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2008, the carrying amount of the Authority's deposits was \$574,404 and the bank balance of \$598,509 of which \$100,000 was covered by federal depository insurance and \$498,509 was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes investments that are insured or registered, or securities held by the Authority or the Authority's agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Authority's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Authority's name. At year end the Authority held no investments.

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**E. Contingencies**

The State and Federal operating assistance contracts are subject to subsequent audit and adjustment by the State of Michigan. The State audits for fiscal years ended September 30, 2006, 2007, and 2008, either have not commenced or have not been completed.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G. Risk Management**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Authority carries commercial insurance to cover these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this coverage in any of the past four fiscal years.

For its property and casualty insurance coverage, the Authority is a participant in a public entity risk pool operated by Michigan Transit Pool which benefits participating transportation authorities. The Authority pays an annual premium for this coverage which provides funds to the Pool to secure specific and excess reinsurance, maintain the Loss Fund, and cover administrative and loss prevention service costs.

Should the losses of the Pool, in a given coverage period, exceed the Loss Fund and the aggregate excess reinsurance, the Authority would receive a pro rata assessment for their share of the loss. Premiums are expensed as incurred while excess reserve distributions are recognized as a contra-expense in the year received in accordance with Michigan Department of Transportation guidelines.

**H. Concentration of Credit Risk**

For the fiscal year ended September 30, 2008, the Authority was reimbursed by the State of Michigan for 36.1508% of their eligible operating expenditures. The percentage is based on budgeted eligible operating expenses for all transits in the State. Therefore, the percentage will be recalculated after total eligible operating expenses are determined based on audited figures.

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**I. Employee Retirement System**

For the year ended September 30, 2000, the Cadillac-Wexford Transit Authority began contributing to the Municipal Employees Retirement System of Michigan (MERS).

*Plan Description.* Substantially all full-time employees of the Authority are members of the **Municipal Employees Retirement System of Michigan** (MERS) which provides retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer pension plan administered by the State of Michigan. Act No. 427 of the Public Acts of 1984, as amended, assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities. In this case, the authority rests with the Cadillac-Wexford Transit Authority. The MERS issues a publicly available financial report that includes statements and required supplementary information for MERS. That report may be obtained by writing to The Retirement Board, Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917.

*Funding Policy.* MERS members are not required to make any contributions to the plan. The Authority is required to contribute at an actuarially determined rate; the current rate is 10.51% to 26.48% of annual covered payroll depending on division of employees. The contribution requirements of plan members and the Authority are established and may be amended by the MERS Board of Trustees.

*Annual Pension Cost.* For the year ended September 30, 2008, the annual pension cost of \$71,866 was equal to the Authority's required and actual contributions.

THREE-YEAR TREND INFORMATION FOR MERS

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
9/30/06	\$ 55,293	100%	0
9/30/07	60,228	100%	0
9/30/08	71,866	100%	0

*Actuarial Methods and Assumptions.* The required contribution was most recently determined as part of the December 31, 2007, actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions include (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases ranging from 4.50% to 12.90% per year. Both (a) and (b) include an inflation component of 4.50%. The actuarial value of assets was determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment earned on a market value basis. The

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SEPTEMBER 30, 2008

difference in investment income between expected return and market return is recognized over a 10 year period at the rate of 10% per year. Positive unfunded accrued liability (if any) is amortized as a level percentage of payroll over a period of 28 years, while negative unfunded liability (if any) is amortized as a level percentage of payroll over a period of 10 years.

*Funded Status and Funded Progress.* As of December 31, 2007, the most recent actuarial valuation date, the plan was 75 percent funded. The actuarial accrued liability for benefits was \$1,012,634, and the actuarial value of assets was \$758,741, resulting in an unfunded actuarial accrued liability (UAAL) of \$253,893. The covered payroll (annual payroll of active employees covered by the plan) was \$441,087, and the ratio of the UAAL to the covered payroll was 58 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**J. Note—Explanation of Ineligible Expenses**

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87.

**K. Note—Nonfinancial Data**

The methodology used for compiling mileage on OAR Schedule 4N (Non Urban) is an adequate and reliable method for recording vehicle mileage.

**L. Sale of Future Revenues**

For several years, the Authority has sold its rights to delinquent real property tax revenues and related late payment penalties to Wexford County. For the 2007 tax roll the Authority received a lump sum payment of \$57,348 for general operating tax revenues. This amount represents 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the Authority will have to repay the county.



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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

**Municipal Employees Retirement System of Michigan**

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2005	9/30/2006	\$ 574,176	\$ 860,845	\$ 286,669	67%	\$ 400,628	72%
12/31/2006	9/30/2007	663,412	908,718	245,306	73%	466,408	53%
12/31/2007	9/30/2008	758,741	1,012,634	253,893	75%	441,087	58%

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CADILLAC, MICHIGAN

COMPARATIVE SCHEDULE OF OPERATING REVENUES  
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2008</u>	<u>2007</u>
<u>OPERATING REVENUES</u>		
Fares	\$ 277,713	\$ 256,556
Greyhound and Indian Trail Commissions	9,269	9,545
Other	1,471	2,023
	<u>\$ 288,453</u>	<u>\$ 268,124</u>

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SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008				2007
			GENERAL	TOTAL	TOTAL
	OPERATIONS	MAINTENANCE	ADMINISTRATION	SYSTEM	SYSTEM
Labor					
Drivers and Dispatchers	\$ 512,447	\$ 0	\$ 0	\$ 512,447	\$ 476,514
Agents	22,778	0	0	22,778	22,955
Maintenance	0	71,922	0	71,922	58,110
Administration	25,710	43,624	167,159	236,493	234,294
Fringe Benefits					
FICA	42,746	8,738	12,254	63,738	57,217
Unemployment Taxes	7,632	834	934	9,400	9,833
Retirement	30,025	13,467	28,374	71,866	60,228
Group Insurance	70,993	30,436	35,106	136,535	127,371
Workers' Compensation	51,600	6,661	737	58,998	50,399
Uniforms and Other	15,800	1,382	2,017	19,199	27,452
Services					
Professional	278,180	0	37,516	315,696	42,492
Maintenance	496	48,413	0	48,909	60,066
Materials and Supplies Consumed					
Fuel and Lubricants	214,070	0	0	214,070	154,094
Tires and Tubes	14,833	0	0	14,833	11,755
Other Materials and Supplies	3,844	97,916	6,401	108,161	105,889
Utilities	23,678	0	10,459	34,137	32,111
Casualty and Liability Costs	68,652	0	7,545	76,197	36,899
Miscellaneous Expenses					
Advertising/Promotion Media	0	0	5,461	5,461	4,580
Dues and Subscriptions	0	0	2,654	2,654	550
Travel and Meetings	8,695	889	6,718	16,302	16,188
Leases and Rentals	2,400	0	0	2,400	800
Depreciation	194,575	8,196	4,674	207,445	191,369
	<u>\$ 1,589,154</u>	<u>\$ 332,478</u>	<u>\$ 328,009</u>	<u>\$ 2,249,641</u>	<u>\$ 1,781,166</u>

CADILLAC-WEXFORD TRANSIT AUTHORITY

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COMPARATIVE SCHEDULE OF NONOPERATING REVENUES  
FOR THE YEARS ENDED SEPTEMBER 30,

	2008	2007
<u>LOCAL SOURCES</u>		
Tax Levy	\$ 576,743	\$ 545,202
<u>STATE SOURCES</u>		
State of Michigan Operating Grants		
Local Bus Operating Assistance (Act 51)		
Prior Year Adjustment	14,662	(2,356)
2007	0	623,995
2008	654,589	0
Total State Sources	669,251	621,639
<u>FEDERAL SOURCES</u>		
U.S. Department of Transportation		
Operating Grant - Section 5311		
Contract No. 07-0183/Z1	0	273,576
Contract No. 07-0163/Z3	289,715	0
Rural Transit Assistance Program	3,500	3,500
Total Federal Sources	293,215	277,076
<u>OTHER</u>		
Interest Income	14,275	4,303
Gain on Sale of Assets	500	900
Contributions	130,000	0
Total Other	144,775	5,203
TOTAL NONOPERATING REVENUES	\$ 1,683,984	\$ 1,449,120

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SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE GRANTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Federal and State Grantor/Pass-Through	Federal		Program	Current Year Expenditures			Prior	Award
	DFDA	Grant	Award				Year	Amount
	Number	Number	Amount	Total	Federal	State	Expenditures	Remaining
Passed Through Michigan Department of Transportation								
Operating Assistance - Section 5311	20.509	07-0163Z3	\$ 289,715	\$ 289,715	\$289,715	\$ 0	\$ 0	\$ 0
Rural Transit Assistance Program (RTAP)	20.509	N/A	3,500	3,500	3,500	0	0	0
Federal Transit Capital Grants	20.500							
Capital Grants		02-0023Z17	849,626	160,606	128,484	32,122	300,000	389,020
Capital Grants		02-0023Z16	23,928	23,928	19,142	4,786	0	0
Capital Grants		02-0023Z6	150,750	108,640	86,912	21,728	10,110	32,000
Michigan Department of Transportation								
Non Urban Operating Assistance - Act 51	N/A	N/A	654,589	654,589	0	654,589	0	0
			\$1,972,108	\$1,240,978	\$527,753	\$ 713,225	\$ 310,110	\$421,020

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SCHEDULE OF DUE FROM OTHER GOVERNMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	DUE FROM (TO) STATE 10/1/2007			RECEIVED NET OF (REPAYMENTS)		DUE FROM (TO) STATE 9/30/2008
	ADJUSTMENTS	EARNED				
<u>OPERATING ASSISTANCE</u>						
Operating Assistance						
2005	\$ (21,161)	\$ 20,546	\$ 0	\$ (615)	\$ 0	
2006	22,818	(5,884)	0	16,934	0	
2007	6,178	0	0	11,469	(5,291)	
2008	0	0	654,589	655,957	(1,368)	
	7,835	14,662	654,589	683,745	(6,659)	
Federal Section 5311						
RTAP-06/07	2,750	0	0	2,750	0	
RTAP-07/08	0	0	3,500	250	3,250	
02-0023/Z13	8,790	0	0	0	8,790	
07-0183/Z1	33,318			31,691	1,627	
07-0163/Z3	0	0	289,715	256,127	33,588	
	44,858	0	293,215	290,818	47,255	
Total Operating Assistance	52,693	14,662	947,804	974,563	40,596	
<u>CAPITAL GRANTS</u>						
02-0023/Z12	48,000	0	0	48,000	0	
02-0023/Z6	0	0	108,640	108,640	0	
02-0023/Z16	0	0	23,928	23,928	0	
02-0023/Z17	0	0	160,606	131,418	29,188	
	48,000	0	293,174	311,986	29,188	
TOTAL FEDERAL AND STATE GRANTS	\$ 100,693	\$ 14,662	\$ 1,240,978	\$ 1,286,549	\$ 69,784	

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CADILLAC, MICHIGAN

SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	02-0023/Z6 & 02-0023/Z17	RTAP	OPERATIONS	TOTAL
Labor	\$ 0	\$ 0	\$ 843,640	\$ 843,640
Fringe Benefits	0	0	359,736	359,736
Services	269,246	0	95,359	364,605
Materials and Supplies	0	0	337,064	337,064
Utilities	0	0	34,137	34,137
Casualty and Liability Costs	0	0	76,197	76,197
Miscellaneous Expenses	0	3,500	20,917	24,417
Leases and Rentals	0	0	2,400	2,400
Depreciation	0	0	207,445	207,445
TOTAL EXPENSES	<u>\$ 269,246</u>	<u>\$ 3,500</u>	<u>\$ 1,976,895</u>	<u>\$ 2,249,641</u>

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NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	FEDERAL SECTION 5311 PROJECT NO. 07-0163/Z3	STATE OPERATING ASSISTANCE (ACT 51)
Operating Expenses		
Labor	\$ 843,640	\$ 843,640
Fringe Benefits	359,736	359,736
Services	95,359	95,359
Materials and Supplies	337,064	337,064
Utilities	34,137	34,137
Casualty and Liability Costs	76,197	76,197
Miscellaneous Expenses	20,917	20,917
Leases and Rentals	2,400	2,400
Depreciation	207,445	207,445
Total Expense	1,976,895	1,976,895
Less Ineligible Expenses		
Depreciation	165,968	165,968
Mass Transit Dues	209	209
Total Ineligible Expenses	166,177	166,177
NET ELIGIBLE EXPENSES	\$ 1,810,718	\$ 1,810,718
Federal		
Section 5311 Reimbursement (16.00%)	\$ 289,715	
State Statutory Operating Assistance		
36.1508% of Net Eligible Expenses		\$ 654,589
But at Least a Minimum of Its:		
1997 Floor of \$300,361		



CADILLAC WEXFORD TRANSIT AUTHORITY  
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NONURBAN REGULAR SERVICE REVENUE REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

<b>Code</b>	<b>Description</b>	<b>Amount</b>
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 50,897
40200	Contract Fares	226,816
40400	Package Delivery	0
<b>406 :</b>	<b>Auxiliary Trans Revenues</b>	
40620	Intercity Ticket Sales	9,269
<b>407 :</b>	<b>NonTrans Revenues</b>	
40760	Gains from the Sale of Capital Assets	500
40799	Other NonTrans Revenue	1,471
<b>408 :</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for/by Transit Agency	576,743
<b>411 :</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	654,589
<b>413 :</b>	<b>Federal Contracts</b>	
41301	Federal Section 5311	289,715
41398	RTAP	3,500
<b>414 :</b>	<b>Other Revenue</b>	
41400	Interest Income	14,275
<b>430 :</b>	<b>Other Revenue</b>	
43000	Contributed Services (Contribution of Land)	130,000
<b>Total Revenue</b>		<b><u>\$ 1,957,775</u></b>

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NONURBAN REGULAR SERVICE EXPENSE REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2008

<b>Code</b>	<b>Description</b>	<b>Operations</b>	<b>Maintenance</b>	<b>Gen. Admin</b>	<b>Amount</b>
<b>501 :</b>	<b>Labor</b>				
50101	Operators Salaries & Wages	\$ 512,447	\$ 0	\$ 0	\$ 512,447
50102	Other Salaries & Wages	48,488	115,546	167,159	331,193
<b>502 :</b>	<b>Fringe Benefits</b>				
50200	Other Fringe Benefits	188,771	48,051	51,048	287,870
50201	Pensions	30,025	13,467	28,374	71,866
<b>503 :</b>	<b>Services</b>				
50302	Advertising Fees	0	0	5,461	5,461
50305	Audit Cost	0	0	6,850	6,850
50399	Other Services	278,676	48,413	30,666	357,755
<b>504 :</b>	<b>Materials and Supplies</b>				
50401	Fuel & Lubricants	214,070	0	0	214,070
50402	Tires & Tubes	14,833	0	0	14,833
50499	Other Materials & Supplies	3,844	97,916	6,401	108,161
<b>505 :</b>	<b>Utilities</b>				
50500	Utilities	23,678	0	10,459	34,137
<b>506 :</b>	<b>Insurance</b>				
50603	Liability Insurance	68,652	0	7,545	76,197
<b>509 :</b>	<b>Misc Expenses</b>				
50902	Travel, Meetings & Training	8,695	889	6,718	16,302
50903	Association Dues & Subscriptions	0	0	2,654	2,654
<b>512 :</b>	<b>Operating Leases &amp; Rentals</b>				
51200	Operating Leases & Rentals	2,400	0	0	2,400
<b>513 :</b>	<b>Depreciation</b>				
51300	Depreciation	194,575	8,196	4,674	207,445
<b>550 :</b>	<b>Ineligible Expenses</b>				
55007	Ineligible Depreciation	162,466	1,997	1,505	165,968
55009	Ineligible Percent of Association Dues	0	0	209	209
<b>570 :</b>	<b>Ineligible Expenses</b>				
57099	Other Ineligible Federal/State	269,246	0	0	269,246
<b>574 :</b>	<b>Ineligible Expenses</b>				
57402	Ineligible RTAP	2,520	420	560	3,500
<b>Total Expenses</b>					<b>2,249,641</b>
<b>Total Ineligible Expenses</b>					<b>438,923</b>
<b>Total Eligible Expenses</b>					<b>\$ 1,810,718</b>

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CADILLAC, MICHIGAN

VEHICLE HOURS AND PASSENGERS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007

(UNAUDITED)

	2008				2007
	WEEKDAY	SATURDAY	SUNDAY	TOTAL	TOTAL
<u>VEHICLE HOURS</u>					
First Quarter	8,210	356	0	8,566	7,879
Second Quarter	8,541	399	0	8,940	8,503
Third Quarter	7,880	378	0	8,258	8,921
Fourth Quarter	7,523	334	0	7,857	8,968
Total	32,154	1,467	0	33,621	34,271

	2008				2007
	REGULAR PASSENGER	SENIOR PASSENGER	HANDICAPPE PASSENGER	TOTAL	TOTAL
<u>PASSENGERS</u>					
First Quarter	9,073	4,616	19,943	33,632	28,570
Second Quarter	9,630	4,710	19,139	33,479	29,611
Third Quarter	10,562	4,693	18,859	34,114	32,753
Fourth Quarter	10,245	4,612	18,157	33,014	32,740
Total	39,510	18,631	76,098	134,239	123,674

CADILLAC-WEXFORD TRANSIT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

SCHEDULE OF MILEAGE DATA  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

(UNAUDITED)

As required by Michigan Department of Transportation, the following schedule details the mileage data for the year ended September 30, 2008. This supplemental data was not audited and, accordingly, we do not express an opinion on it. However, the methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

	WEEKDAY	SATURDAY	SUNDAY	TOTAL PUBLIC TRANSPORTATION MILEAGE
<u>DEMAND-RESPONSE</u>				
Quarter Ended				
December 31, 2007	126,990	5,006	0	131,996
March 31, 2008	123,822	4,991	0	128,813
June 30, 2008	128,879	5,506	0	134,385
September 30, 2008	130,003	5,053	0	135,056
Total	509,694	20,556	0	530,250

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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November 11, 2008

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Cadillac-Wexford Transit Authority  
Cadillac, Michigan

#### COMPLIANCE

We have audited the compliance of the Cadillac-Wexford Transit Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2008. Cadillac-Wexford Transit Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Cadillac-Wexford Transit Authority's management. Our responsibility is to express an opinion on Cadillac-Wexford Transit Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cadillac-Wexford Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cadillac-Wexford Transit Authority's compliance with those requirements.

In our opinion, Cadillac-Wexford Transit Authority complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

## INTERNAL CONTROL OVER COMPLIANCE

The management of Cadillac-Wexford Transit Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cadillac-Wexford Transit Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of Cadillac-Wexford Transit Authority as of and for the year ended September 30, 2008, and have issued our report thereon dated November 11, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cadillac-Wexford Transit Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CADILLAC-WEXFORD TRANSIT AUTHORITY

( A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>STATE GRANTOR NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>
<u>U.S. Department of Transportation</u>			
Non Urbanized Area Formula Program			
Passed Through Michigan			
Department of Transportation			
Operating Assistance - Section 5311 (RTAP)	20.509	RTAP	\$ 3,500
Operating Assistance - Section 5311	20.509	07-0163/Z3	\$ 289,715
Total Operating Assistance			
Federal Transit - Capital Investment Grants			
Passed Through Michigan			
Department of Transportation			
Capital Assistance	20.500	02-0023Z12	\$ 48,000
Capital Assistance	20.500	02-0023Z17	\$ 679,701
Capital Assistance	20.500	02-0023Z16	\$ 19,142
Capital Assistance	20.500	02-0023Z6	\$ 120,600
Total Capital Assistance			
TOTAL FEDERAL FINANCIAL ASSISTANCE			

ACCRUED (DEFERRED) REVENUE OCTOBER 1, 2007	CURRENT YEAR CASH RECEIPTS NET OF REPAYMENT	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE SEPTEMBER 30, 2008
\$ 2,750	\$ 3,000	\$ 3,500	\$ 3,250
0	256,127	289,715	33,588
2,750	259,127	293,215	36,838
48,000	48,000	0	0
0	105,134	128,484	23,350
0	19,142	19,142	0
0	86,912	86,912	0
48,000	259,188	234,538	23,350
\$ 50,750	\$ 518,315	\$ 527,753	\$ 60,188



CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Cadillac-Wexford Transit Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

# *Baird, Cotter and Bishop, P.C.*

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November 11, 2008

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Cadillac-Wexford Transit Authority  
Cadillac, Michigan

We have audited the financial statements of the Cadillac-Wexford Transit Authority as of and for the year ended September 30, 2008, and have issued our report thereon dated November 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Cadillac-Wexford Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cadillac-Wexford Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cadillac-Wexford Transit Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (Item B) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Cadillac-Wexford Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Cadillac-Wexford Transit Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

**Finding 2007 1 and 2**

1) Lack of Adequate Internal Controls

Management is responsible for establishing and maintaining internal controls for the Authority.

At many small governmental units, proper segregation of duties within the accounting department is a challenge for management. The Authority currently does not have effective segregation of duties within the accounting department.

This condition was caused by limited personnel involved in the accounting functions.

The Authority is aware of this limitation, and is in the process of evaluating and implementing new controls to correct or mitigate this situation in the future.

This finding is repeated for the current year.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This finding is repeated for the current year.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

**A. Summary of Auditor's Results**

***Financial Statements***

Type of auditors' report issued:	Unqualified	
Material weakness(es) identified:	<u>          </u> Yes	<u>    X    </u> No
Significant Deficiencies identified that are not considered to be material weaknesses?	<u>    X    </u> Yes	<u>          </u> No
Noncompliance material to financial statements noted?	<u>          </u> Yes	<u>    X    </u> No

***Federal Awards***

Internal control over major programs:		
Material weakness(es) identified:	<u>          </u> Yes	<u>    X    </u> No
Significant Deficiencies identified that are not considered to be material weaknesses?	<u>          </u> Yes	<u>    X    </u> No
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?	<u>          </u> Yes	<u>    X    </u> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.509	Operating Assistance Section 5311

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	<u>          </u> Yes	<u>    X    </u> No
--	-----------------------	---------------------

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

**B. Financial Statement Findings**

1) Lack of Adequate Internal Controls

Management is responsible for establishing and maintaining internal controls for the Authority.

At many small governmental units, proper segregation of duties within the accounting department is a challenge for management. The Authority currently does not have effective segregation of duties within the accounting department.

This condition was caused by limited personnel involved in the accounting functions.

The Authority is aware of this limitation, and is in the process of evaluating and implementing new controls to correct or mitigate this situation in the future.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

CADILLAC-WEXFORD TRANSIT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

**C. Federal Award Findings and Questioned Costs**

None



# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

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November 11, 2008

Cadillac-Wexford Transit Authority  
Cadillac, Michigan

We have audited the financial statements of the business type activities of Cadillac-Wexford Transit Authority for the year ended September 30, 2008, and have issued our report thereon dated November 11, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 15, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Cadillac-Wexford Transit Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cadillac-Wexford Transit Authority are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted. We did propose several adjusting journal entries that were accepted and recorded by management.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 11, 2008.

### *Other Audit Findings or Issues*

During the course of our audit of the basic financial statements of Cadillac-Wexford Transit Authority for the year ended September 30, 2008, we noted no items which we feel deserve comment that were not previously communicated to the Transit Authority, either verbally or through other written communication.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*